

Message Text

CONFIDENTIAL

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12-R
ACTION EUR-25

INFO OCT-01 ADP-00 PM-07 NSC-10 SS-15 RSC-01 L-03 CIAE-00

INR-10 NSAE-00 DODE-00 EB-11 COME-00 CIEP-02 STR-08

OMB-01 TRSE-00 XMB-07 TAR-02 RSR-01 /104 W

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R 141723Z AUG 73

FM AMEMBASSY MADRID
TO SECSTATE WASHDC 6439

C O N F I D E N T I A L MADRID 4603

E.O. 11652: N/A
TAGS: ETRO, EFIN, SP
SUBJECT: CONVERSATION BETWEEN AMBASSADOR RIVERO AND
FINANCE MINISTER BARRERA DE IRIMO

REF STATE 151497, 151383, 151583

1. FINANCE MINISTER ANTONIO BARRERA DE IRIMO INVITED ME TO LUNCH AUG 13, ON WHICH OCCASION HE EXPRESSED GREAT APPRECIATION FOR THE TREATMENT ACCORDED HIM IN WASHINGTON BY OUR GOVERNMENT. HE WAS MOST IMPRESSED BY THE EXPERIENCE AND I AM SURE WE WILL OBTAIN FUTURE BENEFITS FROM THE EFFORT. IN ADDITION TO CONFIRMING THE VARIOUS POINTS RAISED IN WASHINGTON AND REPORTED IN THE RELATED REFTELS AND MEMCONS, HE PROVIDED ME WITH THE FOLLOWING COMMENTS.

2. BARRERA TOLD ME HE WOULD LIKE TO HAVE TREASURY UNDERSECRETARY PAUL VOLCKER COME TO MADRID IN OCT ON HIS WAY BACK FROM THE NAIROBI IMF MEETING (WHICH BARRERA WILL ALSO BE ATTENDING). HE ALSO INDICATED THAT HE WOULD HOPE TREASURY SECRETARY SHULTZ COULD COME TO SPAIN IN NOVEMBER OR DECEMBER.

3. REGARDING U.S. SPAIN RELATIONS, BARRERA TOLD ME THAT HE SEEKS FROM US RECOGNITION AND APPROPRIATE
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TREATMENT IN RESPONSE TO GOS COOPERATION ON MONE-

TARY POLICY; SPECIFICALLY HE REFERRED TO THE MAINTENANCE OF THE PESETA/GOLD PARITY DESPITE STRONG DOMESTIC SPANISH COUNTER PRESSURES AND IN CONTRAST TO THE LESS HELPFUL ATTITUDE OF COUNTRIES SUCH AS ITALY AND BRAZIL, WHICH PARTIALLY FOLLOWED THE DOLLAR DOWN, AND WHICH ARE COMPETITORS OF SPAIN.

4. THE MINISTER TOLD ME HE HOPED TO BE ABLE TO LOWER THE INFLATIONARY RATE WHICH, ACCORDING TO OFFICIAL STATISTICS, HAD BEEN INCREASING DURING THE SECOND QUARTER 1973 AT ABOUT A 1 1/2 PER CENT PER MONTH RATE. HE TOOK SOME ENCOURAGEMENT IN THE FACT THAT THE JUST-RELEASED COST-OF-LIVING DATA FOR JULY REFLECTED A 0.9 PERCENT INCREASE. (THIS MAKES THE JULY 1973/JULY 1972 INCREASE 11.6 PER CENT; THE AVERAGE MONTHLY INCREASE OVER THE FIRST 7 MONTHS OF 1973 IS 1 PER CENT; TRADITIONALLY, THE SECOND HALF OF THE YEAR HAS A HIGHER RATE OF INFLATIONARY INCREASE THAN THE FIRST HALF.) BARRERA, HOWEVER, STATED THAT HE DID NOT PLAN TO UNDERTAKE ANY MASSIVE ANTI-INFLATIONARY STEPS THAT WOULD RUN THE RISK OF TOO ABRUPTLY REDUCING THE RATE OF EXPANSION IN THE ECONOMY AND INDUCING UNEMPLOYMENT AND OTHER PROBLEMS ASSOCIATED WITH CONTRACTIVE MEASURES. HE REFERRED TO THE POSSIBILITY OF TIGHTENING UP ON CREDIT AND REDUCING THE RATE OF GROWTH IN THE MONEY SUPPLY, BUT IN A MODERATE MANNER.

5. CONCERNING FOREIGN INVESTMENTS, HE SAW THE ISSUE TO BE A TWO-WAY STREET, WITH SPANISH INVESTMENTS ABROAD BEING INCREASINGLY FACILITATED. HE FORESAW GREATER SELECTIVITY IN THE APPROVAL OF FOREIGN INVESTMENT IN SPAIN AND EXPRESSED THE DESIRE THAT THE FOREIGN INVESTORS WORK MORE DIRECTLY WITH THE GOVERNMENT OFFICIALS INVOLVED RATHER THAN THROUGH SPANISH LAW FIRMS AND INFLUENCE PEDDLERS. HE EXPRESSED THE DESIRE EVENTUALLY TO OPEN UP THE SPANISH BANKING SYSTEM TO GREATER FOREIGN PARTICIPATION, CONCURRENT WITH SPANISH BANKS OPENING BRANCHES ABROAD.

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6. WHEN QUESTIONED ABOUT THE STATUS OF THE IMPORT LIBERALIZATION AND TARIFF REDUCTION PROGRAM, HE AVOIDED GETTING INTO DETAILS. HE LEFT THE IMPRESSION THAT NO FURTHER PROGRESS IN THIS AREA SHOULD BE EXPECTED FOR THE TIME BEING.
RIVERO

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